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CLERK U.S. DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA  
SAN DIEGO, CALIF.

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11 UNITED STATES DISTRICT COURT  
12 CENTRAL DISTRICT OF CALIFORNIA

13 Sandra L. Muñiz, on behalf of herself  
14 and all others similarly situated,

15 Plaintiff,

16 vs.

17 **Corinthian Colleges, Inc.**; Corinthian  
18 Colleges, Inc., d/b/a Everest College;  
19 Corinthian Colleges, Inc., d/b/a Everest  
20 University; Corinthian Colleges, Inc.,  
21 d/b/a Everest Institute; Corinthian  
22 Colleges, Inc., d/b/a Everest College of  
23 Business, Technology and Health Care;  
24 Heald College, LLC; and Heald  
25 Capital, LLC,

26 Defendants.

27 Case No.: **SACV11-00259 CJC (MLGx)**

28 Class Action Complaint for:

1. Fraud
2. Negligent Misrepresentation
3. Violation of the Unfair Trade Practices Act;
4. Violation of the False Advertising Act;
5. Violation of the Consumer Legal Remedies Act;
6. Breach of Implied Contract; and
7. Breach of the Implied Covenant of Good Faith and Fair Dealing.

Jury Trial Demanded

By Fax

COPY

1. This is a putative class action on behalf of individuals who enrolled in or attended classes at institutions operated by Defendant Corinthian Colleges, Inc. (“Corinthian”).

2. Corinthian is a for-profit higher education company, founded in 1995 and headquartered in Santa Ana, California, that owns and operates a number of academic institutions, including Defendants Corinthian Colleges, Inc., d/b/a Everest College; Corinthian Colleges, Inc., d/b/a Everest University; Corinthian Colleges, Inc., d/b/a Everest Institute; and Corinthian Colleges, Inc., d/b/a Everest College of Business, Technology and Health Care (collectively, “Everest”) and Heald College, LLC and Heald Capital, LLC (collectively, “Heald”). As of September 30, 2010, Corinthian had enrolled more than 113,800 students throughout the United States and Canada, over 99% of whom are enrolled at Everest or Heald.

## Summary of the Action

3. Through a scheme centered around federal student financial aid, Corinthian is systematically violating California law in the name of profit and at the expense of its students, the federal government, and, consequently, the American taxpayers. Mimicking the subprime mortgage lenders that recently brought on the near-collapse of the American economy, Corinthian has based its scheme on (1) a source of easy credit; (2) a consumer population that it can exploit as its pawns; and (3) a means of tapping into that easy credit through those pawns without exposing itself to the inevitable downside credit risk it creates.

4. Without regard for the truth or the law, Corinthian uses fraudulent misrepresentations to entice prospective students to enroll. These deceptive marketing practices are working, as reflected by the explosive growth in Corinthian's total student enrollment from 69,200 on September 30, 2008 to

1 113,818 on September 30, 2010 – a net 64.5% increase over a two-year period.  
 2 By 2009, Corinthian's revenues had grown to \$1.3 billion.

3 5. The driving force behind Corinthian's growth and the fuel for its  
 4 profiteering scheme is Title IV<sup>1</sup> federal financial aid, which accounted for 89% of  
 5 Corinthian's revenue in 2009. Corinthian systematically takes advantage of its  
 6 students throughout the financial aid process – misrepresenting and omitting  
 7 material facts, inducing these students to take on loan obligations that they  
 8 cannot fulfill and that they would not accept if the defendants had not misled  
 9 them.

10 6. Because federal law caps the percentage of revenue an educational  
 11 institution can receive from Title IV funding at 90%, and because military tuition  
 12 assistance programs such as the Post-9/11 GI Bill do not count towards this cap,  
 13 Corinthian targets veterans and active military personnel to fill the remainder of  
 14 its student body.

15 7. One independent analysis has estimated that Corinthian's 3-year  
 16 student loan default rate may be as high as 39%. This means that nearly 2 out of  
 17 every 5 Corinthian students will default on their loans within three years. On its  
 18 face, this default rate signals that Corinthian is burdening its students with  
 19 financial obligations that their educations are not equipping them to repay.  
 20 Student loans are ordinarily not dischargeable even through bankruptcy, leaving  
 21 these Corinthian students who cannot repay their loans saddled with loans they  
 22 can never escape. Because student loans are federally guaranteed, Corinthian  
 23 profits whether its students default on their loans or not.

24 /////

25 /////

26

27

28 <sup>1</sup> Title IV of the Higher Education Act of 1965 ("Title IV"), 20 U.S.C. § 1070, *et seq.*, covers the administration of United States federal student financial aid programs.

1           8.       United States Senator Richard Durbin of Illinois summarized the  
2 unfair and unlawful business practices of for-profit academic institutions like  
3 Corinthian during a Congressional floor speech on September 28, 2010:

4                   They are, by and large, a marketing operation: bring the  
5 students in, sign them up, bring in the Federal dollars; bring  
6 in more students, sign them up, bring in more Federal  
7 dollars. . . . [They] are sinking young people deeply into debt  
8 in student loans that they can never pay off, promising them  
9 courses, training, and degrees that will lead to a good job  
10 and, in fact, it leads to a dead end, where they end up with a  
11 worthless piece of paper. They don't end up with the skills  
12 they need to get a job, but they do end up in debt, with  
13 student loans to the heavens.

14           9.       Within the past year, other institutions have unearthed evidence of  
15 Corinthian's wrongdoing, including the United States Department of Education,  
16 the Government Accountability Office, and the Higher Learning Commission, a  
17 national accreditation agency. This action seeks to recover damages inflicted by  
18 and bring an end to Corinthian's unlawful profiteering.

### 19                   **Jurisdiction and Venue**

20           10.       The Court has jurisdiction over this action under, 28 U.S.C. §  
21 1332(d)(2)(A), because it is a class action for which minimal diversity exists and  
22 the amount in controversy exceeds \$5 million, exclusive of interest and costs.

23           11.       Venue in this Court is proper, under 28 U.S.C. § 1391(a)(2),  
24 because Corinthian is headquartered and maintains its principal place of business  
25 in Santa Ana, California; because a substantial portion of the wrongs alleged  
26 occurred in this district; and because Corinthian has received substantial  
27 compensation by engaging in numerous business activities within this district.

### 28                   **The Parties**

          12.       Plaintiff Sandra L. Muñiz ("Plaintiff"), a citizen and resident of  
California, began attending Heald College, LLC's campus in Rancho Cordova,



1 California in 2007. After completing a business skills program certificate in  
2 2008, she was unable to get a job and decided to enroll in Heald's paralegal  
3 program. She withdrew from the paralegal program after four weeks, dissatisfied  
4 because she was never assigned any homework or given any materials to study,  
5 and transferred to Heald's Roseville campus to study criminal justice. Through  
6 the course of her study at Heald, Plaintiff has taken out roughly \$19,000 in  
7 student loans. Due to her inability to gain employment with her Heald  
8 certification and due to the poor quality of the instruction she received, Plaintiff  
9 asked Heald to refund the lenders the amount of her loans. Heald refused.

10 13. Defendant Corinthian Colleges, Inc. ("Corinthian") is a for-profit  
11 higher education company, founded in 1995 and headquartered in Santa Ana,  
12 California, that owns and operates a number of academic institutions, including  
13 Defendants Corinthian Colleges, Inc., d/b/a Everest College; Corinthian  
14 Colleges, Inc., d/b/a Everest University; Corinthian Colleges, Inc., d/b/a Everest  
15 Institute; and Corinthian Colleges, Inc., d/b/a Everest College of Business,  
16 Technology and Health Care (collectively, "Everest") and Heald College, LLC  
17 and Heald Capital, LLC (collectively, "Heald"). Corinthian held an initial public  
18 offering on February 5, 1999, and is one of the largest publicly-traded for-profit  
19 college entities in the United States, operating 103 colleges and two continuing  
20 education centers in 25 states along with 17 colleges in Ontario, Canada. As of  
21 September 30, 2010, Corinthian had enrolled more than 113,800 students  
22 throughout the United States and Canada, over 99% of whom are enrolled at  
23 Everest or Heald.

24 14. Defendant Corinthian Colleges, Inc., d/b/a Everest College  
25 ("Everest College") is a for-profit entity owned and operated by Corinthian.  
26 Everest College campuses are located throughout the United States and offer  
27 diploma or associate degree programs in health care, business, and computer  
28

1 technology. Everest College also offers online degree programs through “Everest  
2 University Online.”

3 15. Defendant Corinthian Colleges, Inc., d/b/a Everest Institute  
4 (“Everest Institute”) is a for-profit entity owned and operated by Corinthian.  
5 There are approximately 27 Everest Institute campuses throughout the United  
6 States, offering diploma programs in health care, business, computer technology,  
7 electronics, and heating, ventilation, and air conditioning.

8 16. Defendant Corinthian Colleges, Inc., d/b/a Everest University  
9 (“Everest University”) is a for-profit entity owned and operated by Corinthian.  
10 Formerly known as Florida Metropolitan University, Everest University now has  
11 campuses located throughout the United States. Everest University also offers  
12 online degree programs through “Everest University Online.”

13 17. Defendant Corinthian Colleges, Inc., d/b/a Everest College of  
14 Business, Technology and Health Care (“Everest College of Business,  
15 Technology and Health Care”) is a for-profit entity owned and operated by  
16 Corinthian. There are approximately 17 Everest College of Business,  
17 Technology and Health Care campuses in Ontario, Canada.

18 18. Defendant Heald College, LLC (“Heald”) was founded as a non-  
19 profit university in San Francisco, California in 1863 before being later converted  
20 into a for-profit university known as “Heald Business College.” Today, Heald  
21 operates campuses in eleven California cities along with Portland, Oregon and  
22 Honolulu, Hawai’i. Heald offers associate’s degrees and certificates in 34 fields.  
23 In November 2009, Corinthian purchased Heald for \$395 million and announced  
24 plans to convert Heald into an online-only institution.

25 19. Defendant Heald Capital, LLC is Heald’s parent company and a  
26 subsidiary of Corinthian.

27 /////

28 /////

## Class Action Allegations

20. Plaintiff brings this action on behalf of herself and as a class action, under Federal Rules of Civil Procedure 23(a) and 23(b), on behalf of the following class :

All persons in the United States and Canada who, during the period from January 31, 2005 through the present (the “Everest Class Period”), enrolled in or attended classes offered by Corinthian through any of its Everest academic institutions (the “Everest Subclass”); and

All persons in the United States who, during the period from January 31, 2009 through the present (the “Heald Class Period”), enrolled in or attended classes offered by Heald (the “Heald Subclass”).

Excluded from the Everest Subclass and the Heald Subclass are the defendants; their immediate families, subsidiaries, affiliates, successors-in-interest, representatives, trustees, executors, administrators, heirs, assigns, or transferees; any person acting on behalf of the defendants; all governmental entities; and co-conspirators.

21. The exact number of class members is in the exclusive control of the defendants. As of September 30, 2010, the current enrollment at Corinthian’s institutions was 113,818 students. On information and belief, Plaintiff alleges that there are hundreds of thousands of class members, geographically dispersed throughout the United States and Canada, such that joinder of all class members is impracticable.

22. Plaintiff’s claims are typical of the claims of the class in that:

(a) Plaintiff was enrolled in a degree program offered by Heald during the Heald Class Period;

(b) Plaintiff was induced to enroll in this degree program by uniform affirmative written misrepresentations published by Corinthian;

1 uniform scripted affirmative oral misrepresentations made by Corinthian's  
2 enrollment advisors; and by Corinthian's material omissions;

3 (b) Plaintiff was induced to enroll in the online degree program by  
4 identical affirmative written misrepresentations published by Bridgepoint,  
5 uniform scripted affirmative oral misrepresentations made by Bridgepoint  
6 enrollment advisors, and through the defendants' material omissions;

7 (c) Plaintiff and all class members were damaged by the same  
8 wrongful conduct of the defendants and their co-conspirators, as alleged in  
9 this action; and

10 (d) the relief sought is common to the class.

11 23. The defendants' unfair and deceptive conduct gives rise to several  
12 questions of law or fact that are common to the class. Among such questions  
13 arising in this action are:

14 (a) whether the defendants misrepresented material facts about  
15 their academic institutions to the class;

16 (b) whether the defendants misrepresented material information  
17 about student loan eligibility and requirements to the class;

18 (c) whether the defendants recruited class members to attend one  
19 of Corinthian's academic institutions;

20 (d) whether class members enrolled in or attended classes offered  
21 by one of Corinthian's academic institutions;

22 (e) whether the defendants improperly or illegally provided  
23 incentive payments to their enrollment advisors;

24 (f) whether the defendants improperly or illegally targeted  
25 veterans or active duty military personnel through their deceptive  
26 marketing practices;

27 (g) whether the defendants engaged in unfair or unlawful business  
28 practices during the Everest Class Period or the Heald Class Period;



1 (h) whether the defendants engaged in unfair or unlawful  
2 deceptive marketing practices, including false advertising, during the  
3 Everest Class Period or the Heald Class Period;

4 (i) whether the defendants had a duty to disclose and failed to  
5 disclose material facts to class members;

6 (j) whether the defendants breached the implied covenant of  
7 good faith and fair dealing implied in their student enrollment contracts;  
8 and

9 (l) whether class-wide damages, declaratory, or injunctive relief is  
10 appropriate and, if so, the proper measure of the damages, declaratory, or  
11 injunctive relief.

12 24. These questions of law or fact are common to the class and  
13 predominate over any questions affecting only individual class members.

14 25. Plaintiff will fairly and adequately represent the interests of the class  
15 in that:

16 (a) Plaintiff is a typical former student of the defendants' degree  
17 programs;

18 (b) the defendants induced Plaintiff to enroll in one of their  
19 degree programs through deceptive marketing and unfair business  
20 practices; and

21 (c) Plaintiff has no conflicts with any other member of the class.

22 26. Plaintiff has retained competent counsel experienced in class action  
23 litigation.

24 27. A class action is superior to other alternatives, if any exist, for the fair  
25 and efficient adjudication of this controversy.

26 28. The prosecution of separate actions by individual class members  
27 would create risks of inconsistent or varying adjudications and of establishing  
28 incompatible standards of conduct for the defendants.

29. Injunctive relief is appropriate as to the class as a whole because the defendants have acted or refused to act on grounds generally applicable to the entire class.

30. Plaintiff reserves the right to expand, modify, or alter the class definition in response to information learned during discovery.

## Factual Allegations

31. Having identified the opportunity to tap into easy credit while shielding itself from its students' student loan defaults, Corinthian entices prospective students to enroll and apply for students loans they cannot pay back through a systematic, deceptive marketing scheme. It conducts this scheme in large part through its publications and enrollment advisors.

32. Through its various websites, Corinthian deceives students about federal financial aid, the true cost of attending Everest and Heald, the value of Everest's accreditations, the quality and reputation of its academic programs, and the employment prospects and career placement services its graduates can expect. It does this by improperly hiding information from visitors to its websites and by misleading students through affirmative misrepresentations and material omissions.

33. Corinthian also trains and deploys an army of aggressive, persistent enrollment advisors to reach out and recruit students directly. Schools that participate in Title IV federal financial aid programs, like Everest and Heald, are prohibited from providing incentive payments to employees for securing student enrollment. Corinthian aims to skirt this regulation by fostering a hyper-competitive environment in which its enrollment advisors' successes or failures are determined not by the accuracy or quality of advice given to prospective students, but by the number of prospective students these advisors ultimately enroll. Predictably, the result is that Corinthian's enrollment advisors dispense false and misleading information to secure enrollments.

1        34. Collectively, these tactics drive Corinthian's enrollment practices and  
 2 work to the company's great financial benefit, at the expense of its students, the  
 3 federal government, and the American taxpayers. Because Corinthian is not held  
 4 accountable for its graduates' performance on the job market, and because the  
 5 government's guarantee on federal student loans immunizes Corinthian from the  
 6 dangerous credit risks it encourages students to take on, the deceptive marketing  
 7 practices of Corinthian and its subsidiary academic institutions, Everest and  
 8 Heald, have gone unchecked until the filing of this action.

9 **Corinthian Misleads Students About Federal Financial Aid.**

10        35. Perhaps Corinthian's most pernicious deception concerns federal  
 11 financial aid. Through written misrepresentations, uniform scripted oral  
 12 misrepresentations, and material omissions, Corinthian misleads students about:

13            (a) the fact that loans are disbursed directly to Everest and Heald,  
 14 obligating students to repay their loans immediately upon enrollment;

15            (b) the fact that Everest illegally delays disbursement of students'  
 16 federal loans;

17            (c) the maximum allowable amount of financial aid for which  
 18 prospective students may qualify;

19            (d) the fact that many of Corinthian's schools are in violation of  
 20 Title IV's "90/10 Rule," putting students at risk of losing the ability to  
 21 finance their educations through federally financial aid programs;

22            (e) their eligibility for federal Pell Grants in addition to student  
 23 loans;

24            (f) the fact that Corinthian students default on their loans at a  
 25 rate over three times the national average; and

26            (g) the fact that federal student loans are not dischargeable in  
 27 bankruptcy.  
 28

1       36. Based on uniform scripts and instructions provided to them,  
2 Corinthian's enrollment advisors and financial aid officers pressure prospective  
3 students to enroll in a degree program before completing their applications for  
4 federally funded student loans. During this process, Corinthian fails to disclose  
5 to prospective students that its students' loans are disbursed directly to the school  
6 instead of to the students themselves, as is customary. This allows Corinthian's  
7 institutions to demand repayment immediately upon enrollment and prevents  
8 students from being able to defer payment until after graduation.

9       37. This omission is material because knowledge of the obligation to  
10 enter repayment immediately would have affected students' decisions to enroll at  
11 Everest or Heald and to finance their educations through federal loans. Many of  
12 Everest's and Heald's students have lower incomes, as evidenced by their ability to  
13 qualify for federal financial aid, and made strategic decisions to attend school full-  
14 time to invest in their educations rather than seeking wage-earning employment.  
15 Such decisions were affected by Corinthian's suppression of the material fact that  
16 students become responsible for immediately repaying their loans while attending  
17 school.

18       38. Corinthian also fails to disclose to prospective students that Everest  
19 improperly delays disbursement of students' federal loan funds. In April 2010,  
20 the United States Department of Education found that Everest illegally "delayed  
21 disbursement of Title IV funds" in order to generate interest income for itself.  
22 This undisclosed material fact, had it been disclosed, would have affected  
23 students' decisions to apply for student loans or to attend Everest at all.

24       39. In the same April 2010 report, the Department of Education found  
25 that Everest uniformly "failed to make students aware of the total amounts of  
26 financial aid to which they were entitled." In particular, the report noted that  
27 Everest misled students about the maximum annual federal student loan limit for  
28 which students could apply and federal Pell Grants for which they may have been



1 eligible. Corinthian made this uniform misrepresentation to students in order to  
 2 induce them to pay for more of their educations with private financing or out of  
 3 their own pockets rather than with federal financial aid.

4 40. Corinthian's motivation for this deception stems from its consistent  
 5 violation of Title IV's "90/10 Rule," which prohibits for-profit colleges from  
 6 deriving more than 90% of their funding from certain federal sources. As  
 7 Corinthian itself stated in its Q3 2010 Form 10-Q, Everest has been in actual or  
 8 proximate violation of the "90/10 Rule" for years. Only a temporary recalculation  
 9 of the rule for fiscal year 2010 by the Higher Education Authority shielded  
 10 Everest from the risk of losing all of its Title IV funding:

11 . . . the percentage of our revenue on a cash basis attributable  
 12 to Title IV funds has increased significantly over our past two  
 13 completed fiscal years. Without the temporary relief  
 14 imposed by the HEOA, approximately 89.8% of our net U.S.  
 15 revenues (on a cash basis) would have been derived from  
 16 federal Title IV programs in fiscal 2010, and 42 of our 49  
 17 institutions would have exceeded the 90% threshold. When  
 18 the first portion of 90/10 relief under the HEOA expires for  
 19 our fiscal year ended June 30, 2010 (starting July 1, 2011),  
 20 however, compliance will be much more difficult. . . . If any  
 21 of our institutions, depending on its size, loses eligibility to  
 22 participate in federal student financial aid programs, it could  
 23 have a material adverse effect on our business.

24 41. In the same Q3 2010 Form 10-Q, Corinthian explained a major  
 25 reason for its schools' non-compliance:

26 Effective July 1, 2008, the annual unsubsidized Stafford loans  
 27 available for undergraduate students under the FFEL  
 28 program increased by \$2,000. This increase, coupled with  
 recent increases in grants from the Pell program and other  
 Title IV loan limits, has resulted in our schools experiencing  
 an increase in the revenues they receive from Title IV  
 programs. . . . As a result of [these] increases in student loan  
 limits and expanded eligibility for, and increases in, the

1 maximum amount of Pell Grants, the percentage of our  
2 revenue on a cash basis attributable to Title IV funds has  
increased significantly over our past two fiscal years.

3 42. Motivated by its need to keep the percentage of its revenues coming  
4 from Title IV programs within the 90% threshold, Corinthian misleads  
5 prospective students about the amount of federal aid for which they may be  
6 eligible, including failing to disclose recent increases in Stafford loan eligibility.  
7 Corinthian makes this misrepresentation at the expense of its students, who rely  
8 on its misstatements and fail to secure the maximum federal grant money for  
9 which they may be eligible. Had they been properly advised about their eligibility  
10 for federal financial aid, many students would have applied for more or would  
11 have applied to other schools that were not at risk of violating the "90/10 Rule."

12 43. Corinthian's failure to disclose to students Everest's violations of the  
13 "90/10 Rule" constitutes another material omission on which students rely  
14 because schools that violate this rule for two consecutive fiscal years lose all  
15 eligibility for Title IV funding. In other words, if Everest continues to violate the  
16 rule, its students will lose the ability to even apply for federal student grant and  
17 loan money to finance their Everest educations. This risk greatly affects students  
18 enrolled in a multi-year program with Everest because they are vulnerable to the  
19 very real threat that their federal financial assistance will disappear, forcing a  
20 choice between privately financing their educations and leaving school before  
21 completing their degrees. If students knew about this risk before enrolling, they  
22 likely would not have enrolled in the first place.

23 44. When students apply for federal financial aid, Corinthian further  
24 misleads them by encouraging them to apply for federal student loans rather than  
25 Pell Grants, a form of scholarship financial aid that students do not have to repay.  
26 Corinthian is not concerned with the risks associated with federal student loans  
27 because such loans are fully guaranteed by the federal government.  
28

1        45. Corinthian also misleads students about the risk of financing their  
2 Everest educations with federally subsidized loans. Corinthian does not disclose  
3 the fact that Everest students default on their federal loans at rates at least three  
4 and a half times higher than the national average. As Corinthian explained in its  
5 Q3 2010 Form 10-Q, the fiscal 2008 Cohort Default Rate – the percentage of  
6 students who default on their federal student loans – for nine of its institutions  
7 exceeded 25%. The national average for the same year was only 7%. Even more  
8 concerning is Corinthian’s admission regarding 2009: “the draft cohort default  
9 rates for the 2009 Cohort will not be available until February 2011. However,  
10 based on currently available information, we believe the number of our  
11 institutions which would exceed [the] 25% default rate threshold for the 2009  
12 Cohort will be substantially higher than for the 2008 Cohort . . . .”

13        46. One independent analysis has predicted that Corinthian’s average  
14 company-wide Cohort Default Rate could be as high as 39%. This means that  
15 nearly two out of every five Corinthian students would default on their student  
16 loans.

17        47. This omission is critical because high student default rates are a  
18 leading indicator that graduates cannot repay their loans, either because their  
19 educations did not adequately prepare of quality them for employment; because  
20 their degrees only allow them to secure low-wage jobs; or because their schools’  
21 tuition rates exceed the schools’ value in helping graduates to find employment.  
22 Recognizing this, the Department of Education has proposed a “gainful  
23 employment” test to measure a school’s ability to prepare its graduates to succeed  
24 in the marketplace that would directly link the school’s student loan default rates  
25 to its ability to adequately prepare students for high-wage post-graduate  
26 employment.

27        48. This omission is additionally material because schools whose Cohort  
28 Default Rates exceed 25% per year for three consecutive years, as appears to be

1 the case with Everest and Heald, risk losing their eligibility to receive Title IV  
 2 funding. As does Everest's non-compliance with the "90/10 Rule," this risk  
 3 jeopardizes the continued federal financial assistance of students enrolled in  
 4 multi-year programs at Everest or Heald. It goes without saying that if  
 5 prospective students knew that students at these schools defaulted on their loans  
 6 at such alarming rates, they would likely not have enrolled there in the first place.

7 49. All of these misrepresentations and omissions pertaining to financial  
 8 air are harmful to students, who are misled into applying for loans they cannot  
 9 pay back and are not dischargeable through bankruptcy. As a result, tens of  
 10 thousands of class members who have fallen prey to Corinthian's deceptive tactics  
 11 and later defaulted on their loans will continue to carry crippling debt and poor  
 12 credit ratings, potentially for life – even if they file for bankruptcy and attempt to  
 13 restore their financial health. In a Congressional floor speech, Senator Durbin  
 14 explained the impact of Corinthian's inducement:

15 Do you know what happens when you default on a student  
 16 loan in America? It is time we tell students what they get  
 17 into if they get in over their heads with a worthless  
 education:

- 18 • Your loan will be turned over to a collection agency  
 19 and they may charge 25 percent more to collect what  
 20 you owe.
- 21 • Your wages can be garnished; that is, they can take it  
 22 right out of your paycheck.
- 23 • Your tax refunds can be intercepted by the Federal  
 24 Government if you still owe on a student loan.
- 25 • Your Social Security benefits ultimately will be  
 26 withheld if you end up in debt at that point in life  
 from a student loan.
- 27 • Your defaulted student loan will be reported to a credit  
 28 bureau and will remain on your credit history for 7



years, even after it is paid. That means you may not be able to buy a car, a house or take out a credit card. It might be you cannot get a job because of your credit history. You cannot take out more student loans or receive Pell grants to go back to school.

- You are no longer eligible for HUD or VA loans.
- You could be barred from the Armed Forces and might be denied some jobs in the Federal Government.
- I might also add, most student loans are not dischargeable in bankruptcy. When the bottom falls out and you go to bankruptcy court, that is the one that will still be hanging over you when you walk out of that court process.

#### **Corinthian Misrepresents the Cost of Attending Everest and Heald.**

50. While misleading students about their financial aid options and the financial aid process, Corinthian uniformly misrepresents to all potential students the true costs of attending Everest or Heald. Specifically, Corinthian (1) quotes tuition rates for only portions of its degree programs; (2) fails to disclose hidden administrative fees associated with each program; and (3) entirely omits any cost-of-attendance information from its websites.

51. In April 2010, the Department of Education exposed Corinthian's practices of misquoting tuition rates and hiding administrative fees from prospective students. The Department of Education's report chastised Corinthian for systematically "fail[ing] to accurately inform students of the program costs" of its degree programs. This failure included quoting to students the cost of attendance based on a nine-month enrollment period when, in fact, the enrollment period was twelve months; failing to disclose thousands of dollars in hidden administrative fees; and misrepresenting the amount of tuition that students could pay with federal student aid.

1        52. In a report issued August 3, 2010, The Government Accountability  
2 Office likewise documented that Everest and Heald systematically misrepresent  
3 the cost of attending their programs. Commenting on the findings, Senator  
4 Durbin explained that an investigator posing as a potential student “found that  
5 the admissions representative at Everest College misrepresented the cost and  
6 length of the program” in which the investigator sought to enroll.

7        53. In addition to affirmatively misleading students through scripted  
8 misrepresentations, Corinthian uniformly omits from its websites any information  
9 about the costs of attending Everest or Heald. This omission compels students to  
10 consult with an enrollment advisor – and consequently to rely on the scripted oral  
11 misrepresentations of those advisors – when making the decision to enroll.

12        54. This deception harms Corinthian’s students, who ultimately are  
13 induced into enrolling at one of the most expensive schools in the United States.  
14 While each Everest campus and online program sets its own tuition, according to  
15 Corinthian’s 2010 Annual Report those rates ranged from \$204 to \$457 per  
16 credit hour for undergraduate programs and from \$367 to \$548 per credit hour  
17 for graduate programs.

18        55. These tuition rates are among the highest in the country. The  
19 United States Department of Veterans Affairs (the “VA”) publishes an annual  
20 table showing the “*highest* in-state, undergraduate public tuition” rate for each  
21 state in the country. As the most recently updated table shows, several states’  
22 **most expensive public colleges** charged far less per credit hour than the average  
23 cost of attending Everest.

24        56. Corinthian’s failure to properly disclose the costs of its institutions  
25 constitutes a violation of 34 C.F.R. § 668.43, which requires educational  
26 institutions receiving Title IV funds to make certain information readily available  
27 to enrolled and prospective students. The information such institutions must  
28 make readily available includes tuition, fees, and other estimated costs; the

1 institution's refund policy; the requirements and procedures for withdrawing from  
 2 the institution; a summary of the requirements for the return of Title IV grant or  
 3 loan assistance funds; the institution's accreditation information; and the  
 4 institution's completion or graduation rate.

5 57. Federal and California law both require academic institutions to  
 6 make this information readily available to prospective students *before* they enroll  
 7 in any program. Corinthian does not.

8 **Corinthian Misrepresents Everest's Accreditations.**

9 58. In an effort to make its schools seem reputable and its degrees seem  
 10 marketable, Corinthian misleads prospective students about Everest's  
 11 accreditations. Through written misrepresentations, uniform scripted oral  
 12 misrepresentations, and material omissions, Corinthian misleads students about:  
 13 (1) the type of accreditation its schools possess; (2) the value of these  
 14 accreditations; and (3) its schools' non-compliance with established accreditation  
 15 standards.

16 59. On a webpage entitled "The Everest Advantage: Top 10 Reasons  
 17 You Should Earn an Online Degree at Everest," Everest University Online lists  
 18 as its number one reason, "Accreditation: Our accreditation sets us apart. It's an  
 19 accreditation that shows the strength of our academic programs and instruction."

20 60. On a page entitled "How Our Accreditation Benefits You," Everest  
 21 University Online's website goes on to explain:

22 Accreditation is a distinction granted to any institution  
 23 meeting or exceeding the stated criteria of educational  
 24 quality. . . .

25 We're proud of our accreditation because it sets us apart. It's  
 26 an accreditation that shows the strength of our academic  
 27 programs and instruction. Our accreditation means that our  
 28 campus:

- Is recognized as a qualified institution of higher learning with approved programs of study that meet recognized academic standards.
- Employs a professional staff.
- Has sufficient facilities and equipment.
- Is a stable and permanent fixture in the educational community.

61. These statements are false and misleading because they fail to disclose that all but one of Everest's schools has a national, not a regional, accreditation. They further misrepresent the value of such an accreditation.

62. There are two types of accreditation in the United States: regional and national. Somewhat counterintuitively, regional accreditation is reputable and marketable, while a national accreditation is neither. Virtually all traditional non-profit postsecondary institutions are regionally accredited, while a majority of for-profit and "online only" postsecondary institutions have only a national accreditation. Schools with regional accreditation enjoy a favorable reputation within the academic community and with employers, evidenced by the facts that virtually no undergraduate schools will accept transfer credits from a nationally accredited school; virtually no graduate schools will recognize an undergraduate degree from a nationally accredited school as evidence of qualification for a graduate program; and a majority of employers in professional industries refuse to recognize degrees from nationally accredited universities.

63. Everest's failure to disclose its national accreditation status renders the statements on its website false and misleading because its national accreditation does not in fact "set Everest apart" from other institutions, nor does it reflect "the strength of its academic programs" relative to other colleges and universities.



1        64.        These statements are also false and misleading because they fail to  
2 disclose Corinthian's shady history of non-compliance with its accreditation  
3 requirements. The Higher Learning Commission ("HLC"), the accrediting  
4 agency for Everest College Phoenix and Everest University Online, has repeatedly  
5 warned Everest College Phoenix, one of the Everest campuses from which its  
6 online program is administered and the only Everest campus to enjoy a regional  
7 accreditation, that it has not complied with the standards required of an  
8 accredited postsecondary institution.

9        65.        In 2008, the HLC conducted an on-site evaluation before placing  
10 the school on probation on May 1, 2009 because it was "out of compliance with  
11 one or more accrediting standards." On August 19, 2010, the HLC conducted an  
12 on-site "Comprehensive Evaluation Visit," after which it submitted a report that,  
13 according to Corinthian's 10-Q, noted that "deficiencies in the institution's  
14 compliance with HLC's accreditation criteria remained unresolved."

15        66.        Corinthian did not disclose any of the information in its Form 10-Q  
16 filing to its students. In reality, even Corinthian's Form 10-Q itself was  
17 misleading because it did not disclose all the findings of the HLC report and all  
18 the problems with its accreditation.

19        67.        On November 4, 2010, HLC issued an order to show cause to  
20 Everest College Phoenix, stating that the school was not in compliance with  
21 numerous significant accreditation standards and granting until March 21, 2011  
22 for the school to achieve compliance. Among other things, the HLC identified  
23 non-compliance with the following standards:

24                (a)        whether the institution realistically prepares students for a  
25 future shaped by multiple society and economic trends;

26                (b)        whether the institution's resource base supports its educational  
27 programs and its plans for maintaining and strengthening their quality in  
28 the future;

(c) whether the institution's ongoing evaluation and assessment processes provide reliable evidence of institutional effectiveness that clearly inform strategies for continuous improvement;

(d) whether all levels of planning align with the institution's mission, thereby enhancing its capacity to fulfill that mission;

(e) whether the institution values and supports effective teaching; and

(f) whether the institution's learning resources support student learning and effective teaching.

68. The HLC's findings of non-compliance directly contradict the statements on Everest's websites that its accreditation "sets us apart," "shows the strength of our academic programs and instruction," and signals that its campus "has sufficient facilities and equipment." To the contrary, Everest's probationary status and the HLC's order to show cause demonstrate the exact opposite – that Everest's academic programs and instruction are ineffective and that Everest does not devote sufficient resources to its facilities and equipment.

69. Indeed, the only thing that "sets [Everest] apart" is its probationary status and impending loss of accreditation.

### **Corinthian Misrepresents The Quality and Reputation Of Its Programs.**

70. Corinthian also makes uniform written and scripted oral misrepresentations and omissions regarding the quality of its academic programs and the reputation these programs enjoy with potential employers.

71. On a web page entitled "The Everest Advantage: Top 10 Reasons You Should Earn an Online Degree at Everest," after listing its accreditation Everest goes on to boast of its "distinguished faculty" and "national recognition":

#### **2. Distinguished Faculty**

Everest instructors are skilled educators with strong academic backgrounds. All instructors have either a Master's degree or

1 PhD along with years of professional work experience. This  
 2 unique combination of expertise provides our students with a  
 3 rich learning experience.

### 3. National Recognition

4 Everest has campuses across the United States. When you  
 5 join an Everest online degree program, you're part of a  
 6 national community of students. Our family of Everest  
 7 graduates and students are all over the country, which shows  
 8 the strength of our growing community.

9 72. These statements are false and misleading because they suggest that  
 10 Everest's "distinguished faculty" and "national recognition" place it on equal  
 11 footing with other colleges and universities. They also falsely suggest that  
 12 potential employers and academic institutions that recognized degrees from other  
 13 accredited schools and universities will recognize degrees from Everest as valid.

14 73. This is not the case. Virtually no academic institution will accept  
 15 Everest college credits for transfer students or accept an Everest undergraduate  
 16 degree as proof of qualification for a graduate program. Similarly, while  
 17 recognizing degrees from regionally accredited schools as proof of qualification,  
 18 many employers refuse to recognize identical degrees from nationally accredited  
 19 institutions as proof that a prospective employee qualifies for a certain position.

20 74. Most importantly, the statements on Everest's website suggest that  
 21 its students will receive a high quality education from engaged and dedicated  
 22 professors. But as the HLC's order to show cause and decision to place Everest  
 23 College Phoenix on probation demonstrate, Everest neither "values and supports  
 24 effective teaching" nor does it ensure that its "learning resources support student  
 25 learning and effective teaching."

26 75. Corinthian also misrepresents on its websites the value and quality of  
 27 an education at Heald. Heald's website boasts:

28 Our education philosophy is simple: **We succeed when our  
 students succeed.**

1 Unlike other career colleges, earning an associate degree at  
2 Heald is much more than just skill training. Our education  
3 philosophy is to provide our students with the resources  
4 necessary to become well-rounded, highly motivated,  
qualified candidates for their career. [sic]

5 . . . Our faculty consists of people who know what it means  
6 to be in the work force. At Heald, we hire instructors who  
7 have both academic and real-world experience. They teach  
practical, relevant skills that students will actually be able to  
8 use throughout their careers.

9 76. These statements are false and misleading because Heald does not  
10 provide sufficient resources for its students, because many of its teachers are not  
11 qualified, and because a degree from Heald does not qualify graduates for careers  
12 in the marketplace.

13 77. As do its various websites, Corinthian's enrollment advisors similarly  
14 make scripted oral misrepresentations about the quality and reputation of its  
15 schools while recruiting prospective students, describing Everest and Heald as  
16 great schools with amazing professors who offer individualized attention to their  
17 students. These advisors uniformly claim that Everest's and Heald's degree  
18 programs are characterized by hands-on training, small work teams, and  
19 individualized instruction by experienced and qualified professors who can  
20 provide real world career placement advice.

21 78. Corinthian's enrollment advisors continue to make false and  
22 misleading statements about the quality and value of a Corinthian education, and  
23 about students' job placement prospects, during the students' enrollment periods.  
24 In an effort to maintain a high retention rate, advisors reassure students that they  
25 are receiving a quality education at an affordable price and that they should  
26 continue pursuing their degrees to completion.

27 79. These statements are false and misleading because the quality of  
28 instruction at Everest and Heald is uniformly subpar, the instructors are far less



1 qualified than are professors from reputable colleges, and any career placement  
 2 advice the schools offer is useless given that most employers refuse to even  
 3 recognize the validity of the degrees Corinthian awards.

4 80. These misrepresentations are additionally misleading because  
 5 Corinthian couples them with the omission of certain material facts, such as that  
 6 degrees from Everest or Heald are not as marketable as similar degrees from  
 7 traditional postsecondary schools and that degrees from Everest or Heald will  
 8 only be of *de minimis* value to graduates seeking employment in their chosen  
 9 professions.

10 **Corinthian Misrepresents Students' Post-Graduation Employment Prospects**  
 11 **And Its Career Placement Services.**

12 81. Corinthian's deception does not stop at the cost and quality of its  
 13 educational programs, but extends further with misrepresentations and material  
 14 omissions regarding its students' post-graduate employment opportunities and its  
 15 ability and willingness to help its graduates find employment.

16 82. On its various websites pertaining to the claimed merits of its degree  
 17 programs, Everest boasts the following:

18 **We Jumpstart Your Job Search.**

19 Whenever you need help finding a job, or want some advice  
 20 on improving your resume or interviewing skills, our Career  
 21 Services Department is ready to assist you. . . .

22 **Career Search**

23 At Everest, our commitment to your success extends beyond  
 24 graduation. Our Career Services experts offer job-placement  
 25 assistance to every student and graduate. As you start your  
 26 job hunt, we'll help you with job leads and job search Web  
 27 sites, valuable industry and company information, helpful  
 28 networking tips, links to professional associations' web sites,  
 and more.

1        83.        Everest's enrollment advisors also make scripted oral  
 2 misrepresentations to prospective students that Everest's career placement  
 3 personnel will work diligently to jump start their careers after graduation and that  
 4 Everest's job placement rate is well over 90%.

5        84.        Heald also boasts of its career placement services on a webpage  
 6 entitled "Career Assistance for Life":

7                    **Career services assistance for life**

8                    At Heald, we not only help you find a job after you graduate,  
 9 we help you find a job any time you need one, throughout  
 10 your career.

11                   **Career services assistance when you graduate**

12                   Heald's job placement assistance is intended to help you  
 13 make the transition from college to the workplace as quickly  
 14 and easily as possible. As a Heald student, you'll work with a  
 15 career services advisor who will help you look for full-time or  
 16 part-time work in your field of study. We'll give you the  
 tools necessary to present yourself professionally, so you can  
 start a rewarding career when you graduate.

17                   **Career services assistance whenever you need it**

18                   At Heald, we're committed to providing career services  
 19 assistance to our graduates, for life. From graduation to  
 20 retirement, we'll help you advance your career whenever you  
 21 need it. And, since we've been around for over 145 years,  
 you can count on us to be here when you need it most.

22        85.        Everest's and Heald's claims are false and misleading because they  
 23 suggest that they provide their graduates with substantial job placement assistance  
 24 and prospects for high-wage employment in their chosen professions upon  
 25 completion of their degrees. The facts demonstrate that Corinthian does little, if  
 26 anything, to prepare students for successful careers, and that the degrees its  
 27 institutions award are of only *de minimis* value in the marketplace.  
 28

1       86. As already outlined, all but one of Everest's campuses have only  
2 national accreditations, which are virtually worthless because prospective  
3 employers place little value on degrees from nationally accredited schools. The  
4 HLC's order to show cause, which states that Everest fails to "realistically prepare  
5 [students] for a future career shaped by multiple societal and economic trends,"  
6 captures just how little value an education from Everest provides for its students.

7       87. Corinthian's high student loan default rates further confirm the  
8 worthlessness of the degrees Everest and Heald bestow on students seeking to  
9 obtain employment after graduation.

10       88. Aware of the systematic practice among for-profit colleges of  
11 charging above-market tuition rates and encouraging students to take out loans to  
12 finance practically valueless degrees, the Department of Education recently  
13 proposed a new test to measure a school's performance in preparing students for  
14 employment. In its Q3 2010 Form 10-Q, Corinthian described the Department  
15 of Education's proposal "to adopt a definition of 'gainful employment' linked to a  
16 two-part test: measuring the relationship between the debt students incur and  
17 their incomes after completion; and measuring the rate at which all enrollees,  
18 regardless of completion, repay their loans."

19       89. In other words, the Department of Education's proposal would  
20 measure a school's performance in preparing students for "gainful employment"  
21 by assessing whether the school's graduates are able to secure employment at  
22 wages high enough to repay the loans they incurred to finance their educations.  
23 Where a high number of graduates face student debt that is excessive relative to  
24 their incomes, or where a high percentage of graduates are unable to repay their  
25 student loans, the proposed test would indicate the school in question is failing to  
26 adequately prepare its students for post-graduation job placement.

27       90. Keenly aware that such a metric would expose its own dismal  
28 performance at preparing students for employment, Corinthian expressed its

1 concern about the Department of Education's proposal in its Form 10-Q report:  
2 "[this provision] could affect the manner in which we conduct our business, and  
3 compliance with the gainful employment rules could have a material adverse  
4 effect on our business, financial condition, results of operations and cash flows."  
5 Since Corinthian's students default on their federal student loans at a rate at least  
6 three and a half times above the national average, the company's fears that it  
7 could be held accountable for its graduates' poor employment prospects are well-  
8 founded.

9 91. Not surprisingly, Corinthian has embarked on a multi-million dollar  
10 lobbying and marketing campaign specifically aimed at defeating the Department  
11 of Education's proposed "gainful employment" test. Senator Durbin highlighted  
12 Corinthian's lobbying efforts in his September 28, 2010 Congressional floor  
13 speech:

14 We think these schools would either have to improve the  
15 salary outcomes of their students or cut tuition costs. Either  
16 way, that is good for students. But the for-profit colleges  
17 want us to believe that the idea of controlling student debt  
18 somehow hurts these students. Look at Corinthian College  
19 spending millions of dollars on these ads to stop this  
accountability. This company is buying full-page print  
advertising all across America.

20 92. Corinthian's failure to prepare students for employment also derives  
21 not only from its lack of meaningful accreditation and the low-quality education  
22 it bestows, but also from the fact that the career placement services staffs at  
23 Everest and Heald do not provide actual assistance to students and graduates in  
24 their job searches. Corinthian's career services employees do not provide the  
25 individualized support or training they promise students and graduates, nor do  
26 they offer guidance in the areas Everest and Heald describe on their webpages.

27 93. Plaintiff's own experience is illustrative. Plaintiff was induced to  
28 enroll at Heald with the promises that its degree program would prepare her for



1 post-graduate employment and that Heald's career placement services personnel  
2 would work to help place her in a high-skill, high-wage earning job.

3 94. Relying on these misrepresentations, Plaintiff enrolled in and  
4 completed Heald's business skills program. Heald provided Plaintiff with no  
5 placement assistance. After she was unable to get a job with her business skills  
6 program certificate from Heald, Plaintiff enrolled in the school's paralegal and  
7 criminal justice programs.

8 95. While taking a quarter off from her criminal justice studies for  
9 financial reasons and after informing Heald's financial aid office that she would  
10 be returning as a full-time student the following quarter, Plaintiff attempted to  
11 use the computers at her Heald campus to search for a job. Conrad Woodall, the  
12 director of the criminal justice program, approached Plaintiff and told her she was  
13 not permitted to use the computers before forcing her to leave the campus.  
14 When Plaintiff returned the following day to continue her job search, she was  
15 told she could no longer have access to the school's computers for that purpose.

16 96. Only after Plaintiff complained about the treatment she received  
17 from Mr. Woodall and Dick González, the school's academic affairs director, did  
18 Heald acknowledge that, as a graduate of Heald, Plaintiff was entitled to use the  
19 school's equipment to search for a job. In other words, not only did Heald not  
20 provide Plaintiff with the job placement assistance it promised, its officials  
21 actively **violated the school's own policies** and impeded Plaintiff's attempt to  
22 conduct a job search through her own effort.

23 97. Plaintiff's experience exemplifies Senator Durbin's warning that  
24 schools like Corinthian promise "courses, training, and degrees that will lead to a  
25 good job and, in fact, it leads to a dead end, where they end up with a worthless  
26 piece of paper."

27 /////

28 /////

1 **Corinthian Targets Active Military Personnel and Veterans for Deception.**

2 98. In an even more shocking ploy to maintain its Title IV standing  
3 while feeding as heavily as it can from the government trough, Corinthian  
4 specifically targets veterans and active military personnel for enrollment.

5 99. Corinthian's motivation for this is simple. To maintain its Title IV  
6 standing, Corinthian must derive at least 10% of its revenues from sources other  
7 than Title IV funds and certain other designated federal programs. Payment  
8 received from veterans and active military personnel under the Post-9/11 GI Bill  
9 does not count towards this 10% limit, allowing Corinthian to collect unlimited  
10 federal money via the Post-9/11 GI Bill while still maintaining its Title IV  
11 standing for the purposes of federal financial aid.

12 100. Based on a Congressional report issued the same day, Bloomberg  
13 News published an article on December 9, 2010 reporting that twenty for-profit  
14 colleges, including Corinthian, "reaped \$521 million in U.S. taxpayer funds in  
15 2010, seven times more than in 2006, by recruiting armed-service members and  
16 veterans through misleading marketing." That article went on to explain  
17 Corinthian's motivation:

18 Getting the money from military personnel helped the  
19 companies circumvent a cap on the aid they can receive from  
20 the Education Department, their main source of income . . . .

21 The Post-9/11 GI Bill, which Congress passed in 2008,  
22 raised educational benefits for almost all military veterans,  
23 and in some cases allowed them to pass money for school to  
24 spouses and children, according to the report. The colleges  
made it a priority to recruit military members to exploit the  
surge in benefits . . . .

25 A 1992 law allows for-profit colleges to get as much as 90  
26 percent of their revenue from federal financial aid. The  
27 companies seek military students and veterans because their  
28 education benefits are counted as a non-government source,  
according to the Harkin report.

1        101. As Iowa Senator Tom Harkin explained, this backdoor channel has  
2 “unintentionally subjected this new generation of veterans to the worst excesses of  
3 the for-profit industry: manipulative and misleading marketing campaigns,  
4 educational programs far more expensive than comparable public or non-profit  
5 programs, and a lack of needed services.”

6        102. In addition to the same misrepresentations and material omissions it  
7 uses to lure other prospective students into its academic institutions, Corinthian  
8 engages in a number of deceptive practices aimed directly at active military  
9 personnel and veterans.

10       103. For example, Everest’s enrollment website includes a page entitled  
11 “Military Spouse Education,” which describes its program for enrolling the  
12 spouses of active duty military personnel. Military dependants are eligible for  
13 tuition assistance under the Post-9/11 GI Bill and, on this page, Everest boasts  
14 that its online college will provide “a scholarship for active duty personnel and  
15 their dependent spouse[s] and children. Scholarship awards are 15% of tuition.”

16       104. Nowhere on its enrollment site, however, does Everest specify the  
17 actual cost of attendance, which is among the highest in the country. The United  
18 States Department of Veterans Affairs, “in accordance with [its] statutory  
19 requirement to determine the highest in-state undergraduate, public tuition,”  
20 publishes a table each year showing the state-by-state maximum dollar amount of  
21 tuition and fees that the Post-9/11 GI Bill and other veteran education assistance  
22 programs will cover. According to the most recent version of this table, published  
23 in August 30, 2010, Everest’s per credit hourly tuition rates are **higher than** even  
24 the **most expensive public colleges** in several states.

25       105. This fact is particularly significant for military personnel and  
26 veterans in those states choosing between various higher education options.  
27 Because the Post-9/11 GI Bill will only pay for tuition costs up to the maximum  
28 charge per credit hour of the most expensive in-state public college, for many

1 active military personnel and veterans the bill is not sufficient to cover the high  
2 costs of attending Corinthian's schools.

3 106. The result is that Corinthian encourages military personnel and  
4 veterans who should never have required loans to finance their postsecondary  
5 educations into applying for loans to cover their tuition and fees at a Corinthian  
6 institution. In the end, military personnel and veterans falling victim to this  
7 scheme end up defaulting on their loans at rates significantly higher than do  
8 veterans at comparable public or not-for-profit schools. Had these military  
9 personnel and veterans not been misled into attending one of Corinthian's  
10 expensive and low-quality institutions, many would have never attended Everest  
11 or Heald and never would have taken out a loan, instead graduating debt-free  
12 from a reputable college with a marketable degree.

13 107. The data bear this out, revealing that members of the military and  
14 veterans who have been misled into enrolling in programs like those Corinthian  
15 offers have dropped out and defaulted on loans at an alarmingly high rate. As  
16 Bloomberg reported in its December 9, 2010 article:

17 Statistics suggest that the for-profit colleges attended by  
18 military members have high dropout rates and poor  
19 educational results . . . . At 4 of the 5 for-profit colleges  
20 receiving the most in Post-9/11 GI Bill funding, loan  
21 repayment rates were below 37 percent . . . .

22 At the same 4 schools, 24 percent of the students defaulted  
23 on their loans . . . . The national rate of student default on  
24 government loans was 7 percent in the academic year ended  
25 in 2008, the most recent period for which data are available,  
26 according to the Education Department.

27 **The Government Accountability Office Exposes Corinthian's Misfeasance.**

28 108. Alarmed by several trends in the for-profit education industry, the  
United States government in 2009 instructed its Government Accountability



1 Office ("GAO") to investigate the practices of for-profit academic entities like  
2 Corinthian. Among the trends prompting this investigation were:

3 (a) *Exploding Enrollment.* Enrollment in for-profit colleges and  
4 universities has grown far faster over the last decade than has enrollment at  
5 traditional higher education institutions. From about 365,000 in 2004,  
6 enrollment in for-profit colleges grew by almost 400% to approximately 1.8  
7 million students in 2009.

8 (b) *Magnitude of the For-Profit Educational Industry.* The fourteen  
9 largest for-profit educational corporations in the United States, which  
10 includes Corinthian, are worth an estimated \$26 billion as of July 2010.

11 (c) *Disproportionate Federal Financial Assistance.* In 2009, students  
12 at for-profit colleges received more than \$4 billion in federal Pell Grants  
13 and more than \$20 billion in federal financial aid provided by the  
14 Department of Education. Although for-profit college students constitute  
15 only about 9% of all college students in the United States, these totals  
16 represent approximately 25% of the total Pell Grants and federal financial  
17 aid awarded to college students throughout the country.

18 (d) *High Student Loan Default Rates.* Because the federal  
19 government guarantees educational loans, the government and the  
20 American taxpayer must pick up the tab when a student defaults. In 2009,  
21 despite representing only 9% of the national student population, students at  
22 for-profit colleges and universities were responsible for 44% of the student  
23 loan defaults in the country.

24 109. In its report dated August 3, 2010, the GAO concluded that the for-  
25 profit educational institutions it investigated had systematically recruited students  
26 through deceptive marketing, harassing recruitment tactics, and illegal employee  
27 incentive programs in order to increase student enrollment and drive up company  
28 profits. The GAO's investigation also revealed that many of these schools

1 violated federal law by paying bonuses to enrollment advisors based directly on  
2 the number of students they enrolled or retained.

3 110. The GAO further found that every one of the institutions it  
4 investigated made deceptive and misleading statements regarding federal financial  
5 aid in order to secure students' financial aid applications for the maximum  
6 amount allowable under federal guidelines. The GAO confirmed that these  
7 entities also misrepresent to prospective students, among other things, the true  
8 costs of attending their schools, the students' ability to receive and obligation to  
9 repay federal tuition assistance, and their students' post-graduation employability  
10 and salary potential.

11 111. The GAO's report also shed light on the practice of targeting active  
12 military personnel and veterans by offering misleading military benefits plans.  
13 For example, several schools recruited students eligible for tuition assistance  
14 under the Post-9/11 GI Bill by claiming to offer military discounts on tuition  
15 when, in reality, those same schools were charging tuition rates higher than what  
16 the Post-9/11 GI Bill and other veterans' tuition assistance programs would  
17 cover.

18 112. Corinthian confirmed in its Form 10-K of August 2010 that Everest  
19 was one of the for-profit institutions probed by the GAO's investigation: "We  
20 believe that two of our campuses, one of which was Everest College Phoenix,  
21 were among those visited by the GAO. At the HELP Committee hearing on  
22 August 4, 2010, the GAO provided testimony that characterized the interactions  
23 between our campus personnel and the GAO investigators as 'deceptive or  
24 otherwise questionable.'"

### 25 **Equitable Tolling Allegations**

26 113. At all relevant times, while inducing class members to enroll at  
27 Everest or Health through misleading misrepresentations and under false  
28 pretenses, the defendants fraudulently concealed relevant facts that would have

1 allowed Plaintiff and the class to discover the conduct described in this complaint.  
2 The defendants continued to make reassuring misrepresentations to class  
3 members after their enrollment in an effort to retain their enrollment in the  
4 defendants' degree programs under false pretenses for as long as possible.

5 114. As a result of the defendants' fraudulent concealment, the statute of  
6 limitations, as it applies to the claims of Plaintiff and the class, should be tolled.  
7 The application of any statute of limitations that might otherwise bar any of the  
8 claims at issue should be tolled because the defendants actively misled the class  
9 with respect to: the true cost of attending Corinthian's institutions; the quality of  
10 the academic instruction Corinthian's institutions would provide; class members'  
11 post-graduation job prospects, employability, and earning potential; Everest and  
12 Heald's career placement services; federal student loan repayment options and  
13 obligations; and Corinthian's students' federal loan repayment rate.

14 115. Plaintiff exercised due diligence in discovering the defendants'  
15 wrongdoing and by promptly filing this complaint after making such discovery.  
16 This wrongdoing was not discoverable before the filing of this action because the  
17 defendants concealed their wrongdoing. The defendants have never publicly  
18 disclosed their wrongdoing in making the uniform, class-wide written and oral  
19 misrepresentations and material omissions described in this complaint.

## 20 **Fraud**

### 21 **(First Claim)**

22 116. Plaintiff realleges and incorporates all of the preceding paragraphs.

23 117. As part and parcel of their recruiting scheme, the defendants  
24 engaged in a pattern and practice of knowingly and intentionally making false  
25 representations of material facts, and material omissions, with the intent to  
26 deceive or induce Plaintiff and members of the class to rely on those false  
27 representations and omissions.  
28

1        118. Through their marketing materials and their employees, including  
2 but not limited to enrollment advisors and financial aid officers, the defendants  
3 induced Plaintiff and class members to enroll in classes at Everest by making one  
4 or more fraudulent misrepresentations.

5        119. For example, the defendants misrepresented that Everest's schools  
6 have valuable accreditations: "We're proud of our accreditation because it sets us  
7 apart. It's an accreditation that shows the strength of our academic programs and  
8 instruction."

9        120. Everest's schools do not have valuable accreditations that "set them  
10 apart" from other academic institutions. All but one of Everest's schools have  
11 only a national accreditation, from the Higher Learning Commission, which is  
12 far less respected and marketable than the regional accreditations the vast  
13 majority of colleges and universities in the United States possess. This lack of any  
14 but a national accreditation virtually ensures that Everest students will be unable  
15 to transfer credits from Everest to other academic institutions, to enroll in  
16 graduate programs at other academic institutions, or to find meaningful wage-  
17 earning employment in their chosen professions.

18        121. Everest has also been on probation from its accrediting agency since  
19 May 2009 for failing to meet the basic standards required of accreditation,  
20 including a failure to provide sufficient resources and offer support for "effective  
21 teaching."

22        122. While deceiving students through its website and through uniform  
23 scripted oral representations about the value of Everest's accreditation, the  
24 defendants fraudulently concealed the fact that Everest's accrediting agency has  
25 found that the school neither "realistically prepares [students] for a future shaped  
26 by multiple societal and economic trends," "values and supports effective  
27 teaching," nor offers "learning resources [that] support student learning and  
28 effective teaching."



1        123.     The defendants also misrepresented the job services Everest provides  
2 for its students: “We jumpstart your job search. Whenever you need help finding  
3 a job, or want some advice on improving your resume or interviewing skills, our  
4 Career Services Department is ready to assist you.”

5        124.     In reality, Everest’s Career Services Department did not provide  
6 students with any of the job training or career placement services it promised to  
7 provide. Everest did not and does not give students and graduates legitimate job  
8 placement leads, advice on resume-building or interview techniques, or any other  
9 career placement advice.

10       125.     The defendants knew that their misrepresentations were false when  
11 they made them, but made them nonetheless with the intent of inducing Plaintiff  
12 and class members to rely on them and enroll at one of Corinthian’s academic  
13 institutions.

14       126.     As educators, the defendants occupied a fiduciary position and owed  
15 the class members heightened duties to act in good faith and with full candor and  
16 honesty. The defendants breached their fiduciary duties by omitting material  
17 facts from their representations to class members, including:

18                (a)     that Everest and Heald charge among the highest tuition rates  
19 and fees in the country;

20                (b)     that federal student loan debt is not dischargeable through  
21 bankruptcy;

22                (c)     that degrees from Everest and Heald are not nearly as  
23 marketable as are similar degrees from traditional postsecondary schools;

24                (d)     that degrees from Everest and Heald have only *de minimis*  
25 value in helping graduates seek employment in their chosen professions;

26                (e)     that Everest has been and continues to be on accreditation  
27 probation for failure to meet basic accrediting standards;  
28

1 (f) that a majority of Corinthian's campuses risk losing all  
2 eligibility for Title IV federal funding because of repeated violations;

3 (g) that students of Corinthian's institutions default on their  
4 student loans at rates up to six times the national average; and

5 (h) that military personnel and veterans drop out and default on  
6 student loans at a much higher rate at Corinthian's schools than they do at  
7 traditional non-profit colleges.

8 127. At the time the defendants made these misrepresentations and  
9 omissions, Plaintiff and the members of the class were ignorant of the true facts  
10 and justifiably relied on the defendants' misrepresentations and omissions in  
11 deciding to enroll at Everest or Heald.

12 128. As a result of the defendants' fraud, Plaintiff and each member of the  
13 Class have suffered damages.

14 129. The defendants made their fraudulent misrepresentations and  
15 omissions knowingly, willfully, intentionally, maliciously, oppressively, and  
16 fraudulently, with the purpose and intention of defrauding Plaintiff and the class  
17 to the defendants' financial benefit. This Court is empowered to, and should,  
18 impose punitive damages sufficient to set an example of the defendants.

19 **Negligent Misrepresentation**  
20 **(Second Claim)**

21 130. Plaintiff realleges and incorporates all of the preceding paragraphs.

22 131. As set forth in this complaint, the defendants made uniform and  
23 systematic representations to Plaintiff and the members of the class. As also set  
24 forth in this complaint, the defendants did not disclose materials facts to Plaintiff  
25 and the members of the class.

26 132. At the time the defendants' made these misrepresentations and  
27 omissions, they had no reasonable grounds for believing they were true. The  
28 defendants nonetheless made these material misrepresentations and omissions in

1 order to induce class members to rely on them, or with the reasonable expectation  
2 that class members would rely on them, by enrolling at Everest or Heald.

3 133. At the time the defendants' made these misrepresentations and  
4 omissions, Plaintiff and the members of the class were ignorant of the true facts  
5 and justifiably relied on the defendants' misrepresentations and omissions in  
6 deciding to enroll at Everest or Heald.

7 134. As a result of the defendants' fraud, Plaintiff and each member of the  
8 Class have suffered damages.

9 **Violation of California Business & Professions Code § 17200, *et seq.***  
10 **(Third Claim)**

11 135. Plaintiff realleges and incorporates all of the preceding paragraphs.

12 136. The Unfair Trade Practices Act, California Business & Professions  
13 Code § 17200, *et seq.*, defines unfair competition to include any "unfair" or  
14 "unlawful" business act or practice, including "unfair, deceptive, untrue, or  
15 misleading advertising."

16 137. Under the Unfair Trade Practices Act, Plaintiff is entitled to enjoin  
17 the defendants' wrongful practices, and to obtain restitution for moneys paid to  
18 the defendants, because of the defendants' unlawful, unfair, or deceptive acts and  
19 practices.

20 138. The defendants have violated the Unfair Trade Practices Act  
21 through fraud, by misrepresenting facts to the class, by violating the False  
22 Advertising Act, by violating the Consumer Legal Remedies Act, through breach  
23 of implied contract, through breach of the implied covenant of good faith and fair  
24 dealing, and by violating Title IV of the Higher Education Act of 1965, 20  
25 U.S.C. § 1070, *et seq.*

26 139. By virtue of their deceptive, misleading, and unfair business  
27 practices, the defendants also violated the Unfair Trade Practices Act through  
28 violations of the Private Postsecondary Education Act of 2009, California

1 Education Code § 94800, *et seq.* Under this act, private postsecondary education  
2 institutions may not:

3 (a) promise or guarantee employment, or otherwise overstate the  
4 availability of jobs upon graduation, Cal. Educ. Code § 94897(b);

5 (b) advertise concerning job availability, degree of skill, or length  
6 of time required to learn a trade or skill unless the information is accurate  
7 and not misleading, Cal. Educ. Code § 94897(c);

8 (c) pay any consideration to induce a person to sign an enrollment  
9 agreement for an educational program, Cal. Educ. Code § 94897(h);

10 (d) compensate an employee involved in recruitment, enrollment,  
11 admissions, student attendance, or sale of educational materials to students  
12 on the basis of a commission, commission draw, bonus, quota, or other  
13 similar method, Cal. Educ. Code § 94897(n); or

14 (e) require a prospective student to provide personal contact  
15 information in order to obtain, from the institution's web site, educational  
16 program information that is required to be contained in the school catalog  
17 or any information required pursuant to the consumer information  
18 requirements of Title IV of the Higher Education Act of 1965 and any of  
19 its amendments, Cal. Educ. Code § 94897(o).

20 140. As a result of the defendants' violations of the Unfair Trade Practices  
21 Act, Plaintiff and each member of the class have suffered damages. This Court  
22 has the authority to, and should, order restitution to all class members from  
23 whom the defendants unfairly or unlawfully received money.

24 141. The defendants' unlawful and unfair business practices present a  
25 continuing threat to members of the class and the general public. This Court has  
26 the authority to, and should, preliminarily and permanently enjoin the  
27 defendants' unlawful and unfair business practices.

28 /////



**Violation of California Business & Professions Code § 17500, *et seq.***  
**(Fourth Claim)**

142. Plaintiff realleges and incorporates all of the preceding paragraphs.

143. The False Advertising Act, California Business & Professions Code § 17500, *et seq.*, makes it unlawful to “make or disseminate or cause to be made or disseminated before the public [a statement] which is untrue or misleading, and which is know, or which by the exercise of reasonable care should be known, to be untrue or misleading” with the intent to “induce the public to enter into any obligation relating thereto.” The Act covers statements made through “any advertising device,” including “over the Internet.”

144. Under the False Advertising Act, Plaintiff is entitled to enjoin the defendants’ wrongful practices, and to obtain restitution for moneys paid to the defendants, because of the defendants’ unlawful, unfair, or deceptive acts and practices.

145. The defendants have violated the False Advertising Act by making or disseminating false and misleading statements through their websites about the true cost of attending Corinthian’s schools, those schools’ accreditations, the quality of academic instruction those schools offer, the type and quality of career placement services those schools provide, students’ post-graduation job prospects, and students’ employability and earning potential.

146. The defendants made these false and misleading statements with the intent of inducing the general public, including Plaintiff and class members, to enroll in their degree and certificate programs.

147. Plaintiff and each member of the class relied on the defendants’ false and misleading advertising in deciding to enroll at Everest or Heald.

148. As a result of the defendants’ violations of the False Advertising Act, Plaintiff and each member of the class have suffered damages. This Court has

1 the authority to, and should, order restitution to all class members from whom  
 2 the defendants unfairly or unlawfully received money.

3 149. The defendants' unlawful and false and misleading advertising  
 4 presents a continuing threat to members of the class and the general public. This  
 5 Court has the authority to, and should, preliminarily and permanently enjoin the  
 6 defendants' unlawful and false and misleading advertising.

7 **Violation of the Consumer Legal Remedies Act**  
 8 **(Fifth Claim)**

9 150. Plaintiff realleges and incorporates all of the preceding paragraphs.

10 151. The Consumer Legal Remedies Act, California Civil Code § 1750,  
 11 *et seq.*, prohibits unfair competition and unfair acts or practices that are intended  
 12 to result, or which do result, in the sale of goods and services.

13 152. Under the Consumer Legal Remedies Act, Plaintiff is entitled to  
 14 enjoin the defendants' wrongful practices because those practices are unlawful,  
 15 unfair, or deceptive.

16 153. The defendants violated the Consumer Legal Remedies Act by  
 17 misrepresenting to Plaintiff and the class the true cost of attendance at Everest  
 18 and Heald; the quality of the academic instruction at these schools; students'  
 19 post-graduation employability; the type and quality of career placement services  
 20 they offer to students; and students' federal financial assistance options.

21 154. The defendants' unfair competition and unfair acts or practices  
 22 present a continuing threat to Plaintiff, class members, and members of the  
 23 general public, in that the defendants continue to deceive prospective students  
 24 into enrolling in academic programs at Everest and Heald.

25 155. As a result of the defendants' violations of the Consumer Legal  
 26 Remedies Act, Plaintiff and each member of the Class have suffered damages.  
 27 This Court has the authority to, and should, preliminarily and permanently  
 28 enjoin the defendants' illegal and unfair business practices.

**Breach of Implied Contract**

**(Sixth Claim)**

156. Plaintiff realleges and incorporates all of the preceding paragraphs.

157. Through promises to perform, the defendants entered into implied contracts with Plaintiff and class members. For example, the defendants misrepresented to Plaintiff and class members that they would:

(a) provide a high-quality education at an affordable cost;

(b) prepare students for successful job placement in their chosen professions;

(c) equip students to earn top salaries in their chosen professions; and

(d) assist students with their interview skills and job searches through career placement services during and after enrollement.

158. In reliance on these misrepresentations, and as consideration for performance of the defendants' promises, Plaintiff and class members promised to enroll as students at Everest or Heald and paid the tuition and fees the defendants charged them to do so.

159. Plaintiff and the members of the class complied with all of their obligations under the implied contracts.

160. Plaintiff and the members of the class have been deprived of the benefits of their agreements with the defendants.

161. The defendants breached their implied contracts with Plaintiff and class members by failing to deliver the services they promised.

162. As a result of the defendants' breach of implied contract, Plaintiff and each member of the class have suffered damages.

////

////

////





1 of 1965, a violation of the California Private Postsecondary  
2 Education Act of 2009, a violation of the Consumer Legal  
3 Remedies Act, negligent misrepresentation, and fraud;

4 c. an injunction enjoining the defendants, preliminarily and  
5 permanently, from continuing the unlawful conduct alleged in this  
6 complaint;

7 d. restitution to Plaintiff and each member of the class of all  
8 sums the defendants unlawfully collected from them during the  
9 class period;

10 e. disgorgement of all profits the defendants obtained  
11 through their unfair business practices;

12 f. punitive damages against the defendants;

13 g. the costs of this suit, including expert fees, and  
14 reasonable attorneys' fees, as provided by law; and

15 h. such other and further relief as the nature of this case  
16 may require, or as this Court deems just, equitable, and proper.

17  
18 DATED: February 11, 2011

Chapin Fitzgerald Sullivan LLP

19  
20  
21 By: 

22 Edward D. Chapin, Esq.  
23 Douglas J. Brown, Esq.  
24 Attorneys for Plaintiff  
25  
26  
27  
28

AO 440 (Rev. 12/09) Summons in a Civil Action

# UNITED STATES DISTRICT COURT

for the  
Central District of California

Sandra L. Mufiz, on behalf of herself  
and all others similarly situated,

*Plaintiff*

v.

Corinthian Colleges, Inc.; et al.

[SEE ATTACHMENT]

*Defendant*

Civil Action No. **SACV11-00259 CJC (MLGx)**

## SUMMONS IN A CIVIL ACTION

To: (Defendant's name and address) [SEE ATTACHMENT]

A lawsuit has been filed against you.

Within 21 days after service of this summons on you (not counting the day you received it) — or 60 days if you are the United States or a United States agency, or an officer or employee of the United States described in Fed. R. Civ. P. 12 (a)(2) or (3) — you must serve on the plaintiff an answer to the attached complaint or a motion under Rule 12 of the Federal Rules of Civil Procedure. The answer or motion must be served on the plaintiff or plaintiff's attorney, whose name and address are:

Edward D. Chapin, Esq.  
Douglas J. Brown, Esq.  
CHAPIN FITZGERALD SULLIVAN LLP  
550 West C Street, Suite 2000  
San Diego, CA 92101  
(619) 241-4810

If you fail to respond, judgment by default will be entered against you for the relief demanded in the complaint. You also must file your answer or motion with the court.

CLERK OF COURT

FEB 11 2011

Date: \_\_\_\_\_

J. Barrera

Signature of Clerk or Deputy Clerk

**ATTACHMENT TO SUMMONS**

Sandra L. Muñiz, on behalf of herself and all others similarly situated,

Plaintiff,

vs.

Corinthian Colleges, Inc.; Corinthian Colleges, Inc., d/b/a Everest College; Corinthian  
Colleges, Inc., d/b/a Everest University; Corinthian Colleges, Inc., d/b/a Everest Institute;  
Corinthian Colleges, Inc., d/b/a Everest College of Business, Technology and Health Care;  
Heald College, LLC; and Heald Capital, LLC,

Defendants.

**UNITED STATES DISTRICT COURT, CENTRAL DISTRICT OF CALIFORNIA  
CIVIL COVER SHEET**

Fax

<b>I (a) PLAINTIFFS</b> (Check box if you are representing yourself: <input type="checkbox"/> ) SANDRA L. MUNIZ, on behalf of herself and all others similarly situated	<b>DEFENDANTS</b> CORINTHIAN COLLEGES, INC.; ET AL.
<b>(b) Attorneys</b> (Firm Name, Address and Telephone Number. If you are representing yourself, provide same.) Edward D. Chapin, Esq. Douglas J. Brown, Esq. CHAPIN FITZGERALD SULLIVAN LLP 550 West C Street, Suite 200 San Diego, CA 92101 (619) 241-4810	<b>Attorneys (If Known)</b>

<b>II. BASIS OF JURISDICTION</b> (Place an X in one box only.)  <input type="checkbox"/> 1 U.S. Government Plaintiff <input type="checkbox"/> 3 Federal Question (U.S. Government Not a Party) <input type="checkbox"/> 2 U.S. Government Defendant <input checked="" type="checkbox"/> 4 Diversity (Indicate Citizenship of Parties in Item III)	<b>III. CITIZENSHIP OF PRINCIPAL PARTIES - For Diversity Cases Only</b> (Place an X in one box for plaintiff and one for defendant.) <table style="width:100%;"> <tr> <th style="text-align: center;">PTF</th> <th style="text-align: center;">DEF</th> <th style="text-align: center;">PTF</th> <th style="text-align: center;">DEF</th> </tr> <tr> <td>Citizen of This State</td> <td><input checked="" type="checkbox"/> 1</td> <td>Incorporated or Principal Place of Business in this State</td> <td><input checked="" type="checkbox"/> 4</td> </tr> <tr> <td>Citizen of Another State</td> <td><input type="checkbox"/> 2</td> <td>Incorporated and Principal Place of Business in Another State</td> <td><input type="checkbox"/> 5</td> </tr> <tr> <td>Citizen or Subject of a Foreign Country</td> <td><input type="checkbox"/> 3</td> <td>Foreign Nation</td> <td><input type="checkbox"/> 6</td> </tr> </table>	PTF	DEF	PTF	DEF	Citizen of This State	<input checked="" type="checkbox"/> 1	Incorporated or Principal Place of Business in this State	<input checked="" type="checkbox"/> 4	Citizen of Another State	<input type="checkbox"/> 2	Incorporated and Principal Place of Business in Another State	<input type="checkbox"/> 5	Citizen or Subject of a Foreign Country	<input type="checkbox"/> 3	Foreign Nation	<input type="checkbox"/> 6
PTF	DEF	PTF	DEF														
Citizen of This State	<input checked="" type="checkbox"/> 1	Incorporated or Principal Place of Business in this State	<input checked="" type="checkbox"/> 4														
Citizen of Another State	<input type="checkbox"/> 2	Incorporated and Principal Place of Business in Another State	<input type="checkbox"/> 5														
Citizen or Subject of a Foreign Country	<input type="checkbox"/> 3	Foreign Nation	<input type="checkbox"/> 6														

**IV. ORIGIN** (Place an X in one box only.)

<input checked="" type="checkbox"/> 1 Original Proceeding	<input type="checkbox"/> 2 Removed from State Court	<input type="checkbox"/> 3 Remanded from Appellate Court	<input type="checkbox"/> 4 Reinstated or Reseoped	<input type="checkbox"/> 5 Transferred from another district (specify):	<input type="checkbox"/> 6 Multi-District Litigation	<input type="checkbox"/> 7 Appeal to District Judge from Magistrate Judge
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**V. REQUESTED IN COMPLAINT JURY DEMAND:** ☒ Yes    ☐ No (Check Yes only if demanded in complaint.)

**CLASS ACTION** under F.R.C.P. 23: ☒ Yes    ☐ No    **MONEY DEMANDED IN COMPLAINT:** \$ PROOF

**VI. CAUSE OF ACTION** (Cite the U.S. Civil Statute under which you are filing and write a brief statement of cause. Do not cite jurisdictional statutes unless diversity.)  
 28 U.S.C. SECTION 1332 (d) (2) (A)

**VII. NATURE OF SUIT** (Place an X in one box only.)

<b>OTHER STATUTES</b> <input type="checkbox"/> 400 State Reapportionment <input type="checkbox"/> 410 Antitrust <input type="checkbox"/> 420 Banks and Banking <input type="checkbox"/> 450 Commerce/ICC Rates/etc. <input type="checkbox"/> 460 Deportation <input type="checkbox"/> 470 Racketeer Influenced and Corrupt Organizations <input type="checkbox"/> 480 Consumer Credit <input type="checkbox"/> 490 Cable/Sat TV <input type="checkbox"/> 510 Selective Service <input type="checkbox"/> 550 Securities/Commodities Exchange <input type="checkbox"/> 575 Customer Challenge 12 USC 3410 <input checked="" type="checkbox"/> 890 Other Statutory Actions <input type="checkbox"/> 891 Agricultural Act <input type="checkbox"/> 892 Economic Stabilization Act <input type="checkbox"/> 893 Environmental Matters <input type="checkbox"/> 894 Energy Allocation Act <input type="checkbox"/> 895 Freedom of Info. Act <input type="checkbox"/> 900 Appeal of Fed. Determination Under Equal Access to Justice <input type="checkbox"/> 1050 Constitutionality of State Statutes	<b>CONTRACT</b> <input type="checkbox"/> 110 Insurance <input type="checkbox"/> 120 Marine <input type="checkbox"/> 130 Miller Act <input type="checkbox"/> 140 Negotiable Instrument <input type="checkbox"/> 150 Recovery of Overpayment & Enforcement of Judgment <input type="checkbox"/> 151 Medicate Act <input type="checkbox"/> 152 Recovery of Defaulted Student Loan (Excl. Veterans) <input type="checkbox"/> 153 Recovery of Overpayment of Veteran's Benefits <input type="checkbox"/> 160 Stockholders' Suits <input type="checkbox"/> 190 Other Contract <input type="checkbox"/> 195 Contract Product Liability <input type="checkbox"/> 196 Franchise <b>REAL PROPERTY</b> <input type="checkbox"/> 210 Land Condemnation <input type="checkbox"/> 210 Easement <input type="checkbox"/> 230 Rent Lease & Ejectment <input type="checkbox"/> 240 Torts to Land <input type="checkbox"/> 245 Tort Product Liability <input type="checkbox"/> 290 All Other Real Property	<b>TORTS</b> <b>PERSONAL INJURY</b> <input type="checkbox"/> 310 Airplane <input type="checkbox"/> 315 Airplane Product Liability <input type="checkbox"/> 320 Assault, Libel & Slander <input type="checkbox"/> 330 Fed. Employers' Liability <input type="checkbox"/> 340 Marine <input type="checkbox"/> 345 Marine Product Liability <input type="checkbox"/> 350 Motor Vehicle <input type="checkbox"/> 355 Motor Vehicle Product Liability <input type="checkbox"/> 360 Other Personal Injury <input type="checkbox"/> 362 Personal Injury-Med Malpractice <input type="checkbox"/> 365 Personal Injury-Product Liability <input type="checkbox"/> 368 Asbestos Personal Injury Product Liability <b>INMIGRATION</b> <input type="checkbox"/> 462 Naturalization Application <input type="checkbox"/> 463 Habeas Corpus-Alien Detention <input type="checkbox"/> 465 Other Immigration Actions	<b>TORTS</b> <b>PERSONAL PROPERTY</b> <input type="checkbox"/> 370 Other Fraud <input type="checkbox"/> 371 Truth in Lending <input type="checkbox"/> 380 Other Personal Property Damage <input type="checkbox"/> 385 Property Damage Product Liability <b>BANKRUPTCY</b> <input type="checkbox"/> 422 Appeal 28 USC 158 <input type="checkbox"/> 423 Withdrawal 28 USC 157 <b>CIVIL RIGHTS</b> <input type="checkbox"/> 441 Voting <input type="checkbox"/> 442 Employment <input type="checkbox"/> 443 Housing/Accommodations <input type="checkbox"/> 444 Welfare <input type="checkbox"/> 445 American with Disabilities - Employment <input type="checkbox"/> 446 American with Disabilities - Other <input type="checkbox"/> 440 Other Civil Rights	<b>PRISONER PETITIONS</b> <input type="checkbox"/> 510 Motions to Vacate Sentence Habeas Corpus <input type="checkbox"/> 530 General <input type="checkbox"/> 535 Death Penalty <input type="checkbox"/> 540 Mandamus/Other <input type="checkbox"/> 550 Civil Rights <input type="checkbox"/> 555 Prison Conditions <b>FORFEITURE/PENALTY</b> <input type="checkbox"/> 610 Agriculture <input type="checkbox"/> 620 Other Federal Drug <input type="checkbox"/> 625 Drug Related Seizure of Property 21 USC 881 <input type="checkbox"/> 630 Liquor Laws <input type="checkbox"/> 640 R.R. & Truck <input type="checkbox"/> 650 Airline Regs. <input type="checkbox"/> 660 Transportation Safety Health <input type="checkbox"/> 690 Other	<b>LABOR</b> <input type="checkbox"/> 710 Fair Labor Standards Act <input type="checkbox"/> 720 Labor/Mgmt. Relations <input type="checkbox"/> 730 Labor/Mgmt. Reporting & Disclosure Act <input type="checkbox"/> 740 Railway Labor Act <input type="checkbox"/> 790 Other Labor Litigation <input type="checkbox"/> 791 Empl. Ret. Inc. Security Act <b>PROPERTY RIGHTS</b> <input type="checkbox"/> 810 Copyright <input type="checkbox"/> 810 Patent <input type="checkbox"/> 840 Trademark <b>SOCIAL SECURITY</b> <input type="checkbox"/> 861 HIA (1395ff) <input type="checkbox"/> 862 Black Lung (923) <input type="checkbox"/> 863 DIWC/DIWW (405g) <input type="checkbox"/> 864 SSID Title XVI <input type="checkbox"/> 865 RSI (405g) <b>FEDERAL TAX SUITS</b> <input type="checkbox"/> 870 Taxes (US Plaintiff or Defendant) <input type="checkbox"/> 871 IRS - Third Party 26 USC 7609
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FOR OFFICE USE ONLY: Case Number SACY11-00259 CJC (MLGx)  
 AFTER COMPLETING THE FRONT SIDE OF FORM CV-71, COMPLETE THE INFORMATION REQUESTED BELOW

CV-71 (05-08)

CIVIL COVER SHEET

COPY



**UNITED STATES DISTRICT COURT, CENTRAL DISTRICT OF CALIFORNIA  
CIVIL COVER SHEET**

**VIII(a). IDENTICAL CASES:** Has this action been previously filed in this court and dismissed, remanded or closed? ☒ No ☐ Yes

If yes, list case number(s):

**VIII(b). RELATED CASES:** Have any cases been previously filed in this court that are related to the present case? ☐ No ☒ Yes

If yes, list case number(s): 8:11-CV-00127-DOC-AJW

**Civil cases are deemed related if a previously filed case and the present case:**

- (Check all boxes that apply) ☒ A. Arise from the same or closely related transactions, happenings, or events; or  
☒ B. Call for determination of the same or substantially related or similar questions of law and fact; or  
☐ C. For other reasons would entail substantial duplication of labor if heard by different judges; or  
☐ D. Involve the same patent, trademark or copyright, and one of the factors identified above in a, b or c also is present

**IX. VENUE:** (When completing the following information, use an additional sheet if necessary.)

(a) List the County in this District; California County outside of this District; State if other than California; or Foreign Country, in which EACH named plaintiff resides.

☐ Check here if the government, its agencies or employees is a named plaintiff. If this box is checked, go to item (b).

County in this District:*	California County outside of this District; State, if other than California; or Foreign Country
	Yolo County

(b) List the County in this District; California County outside of this District; State if other than California; or Foreign Country, in which EACH named defendant resides.

☐ Check here if the government, its agencies or employees is a named defendant. If this box is checked, go to item (c).

County in this District:*	California County outside of this District; State, if other than California; or Foreign Country
Orange County	

(c) List the County in this District; California County outside of this District; State if other than California; or Foreign Country, in which EACH claim arose.

**Note: In land condemnation cases, use the location of the tract of land involved.**

County in this District:*	California County outside of this District; State, if other than California; or Foreign Country
Orange County	
Yolo County	

\* Los Angeles, Orange, San Bernardino, Riverside, Ventura, Santa Barbara, or San Luis Obispo Counties

**Note: In land condemnation cases, use the location of the tract of land involved.**

**X. SIGNATURE OF ATTORNEY (OR PRO PER):**

DOUGLAS J. BROWN

Date February 10, 2011

**Notice to Counsel/Parties:** The CV-71 (JS-44) Civil Cover Sheet and the information contained herein neither replace nor supplement the filing and service of pleadings or other papers as required by law. This form, approved by the Judicial Conference of the United States in September 1974, is required pursuant to Local Rule 3-1 is not filed but is used by the Clerk of the Court for the purpose of statistics, venue and initiating the civil docket sheet. (For more detailed instructions, see separate instructions sheet.)

**Key to Statistical codes relating to Social Security Cases:**

Nature of Suit Code	Abbreviation	Substantive Statement of Cause of Action
861	HIA	All claims for health insurance benefits (Medicare) under Title 18, Part A, of the Social Security Act, as amended. Also, include claims by hospitals, skilled nursing facilities, etc., for certification as providers of services under the program. (42 U.S.C. 1935ff(b))
862	BL	All claims for "Black Lung" benefits under Title 4, Part B, of the Federal Coal Mine Health and Safety Act of 1969. (30 U.S.C. 923)
863	DIWC	All claims filed by insured workers for disability insurance benefits under Title 2 of the Social Security Act, as amended; plus all claims filed for child's insurance benefits based on disability. (42 U.S.C. 405(g))
863	DIWW	All claims filed for widows or widowers insurance benefits based on disability under Title 2 of the Social Security Act, as amended. (42 U.S.C. 405(g))
864	SSID	All claims for supplemental security income payments based upon disability filed under Title 16 of the Social Security Act, as amended.
865	RSI	All claims for retirement (old age) and survivors benefits under Title 2 of the Social Security Act, as amended. (42 U.S.C. 405)

**UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA**

**NOTICE OF ASSIGNMENT TO UNITED STATES MAGISTRATE JUDGE FOR DISCOVERY**

This case has been assigned to District Judge Cormac J. Carney and the assigned discovery Magistrate Judge is Marc Goldman.

The case number on all documents filed with the Court should read as follows:

**SACV11- 259 CJC (MLGx)**

Pursuant to General Order 05-07 of the United States District Court for the Central District of California, the Magistrate Judge has been designated to hear discovery related motions.

All discovery related motions should be noticed on the calendar of the Magistrate Judge

=====

**NOTICE TO COUNSEL**

*A copy of this notice must be served with the summons and complaint on all defendants (if a removal action is filed, a copy of this notice must be served on all plaintiffs).*

Subsequent documents must be filed at the following location:

☐ **Western Division**  
312 N. Spring St., Rm. G-8  
Los Angeles, CA 90012

☒ **Southern Division**  
411 West Fourth St., Rm. 1-053  
Santa Ana, CA 92701-4516

☐ **Eastern Division**  
3470 Twelfth St., Rm. 134  
Riverside, CA 92501

Failure to file at the proper location will result in your documents being returned to you.